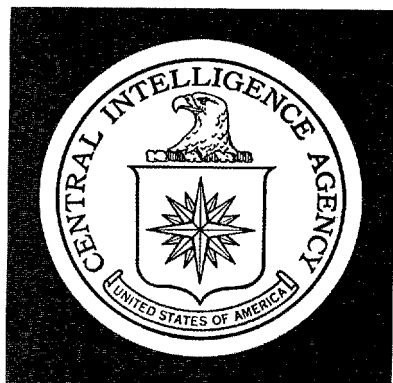


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25X1 [South Vietnam: Although no significant enemy actions developed in South Vietnam on 13-14 January, [redacted] Communist preparations for attacks northwest of Saigon and in the northern delta.

* * * *

25X1 The Communists have announced over Hanoi radio the formation in early January of another provincial liberation committee, this time in Binh Dinh, bringing the total number of provincial committees to 11. The committee supposedly "declared the abolition of the Binh Dinh puppet administration"--a declaration identical to one made earlier in Quang Ngai Province when its provincial liberation committee was established. [redacted] (Map)]

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Cyprus: The future of the intercommunal talks, which reopen next week after a three-week recess, is clouded, but the determination of both the Greek and Turkish Cypriots to continue affords some cautious hope for progress.

Before the closing of the last round, both sides had tabled ideas on how much self government should be granted to the minority Turkish Cypriots. This local autonomy, which the Turkish Cypriots insist is necessary to guarantee their survival in a Greek Cypriot - dominated unitary state, is the toughest issue the negotiators have tackled thus far. Their initial proposals indicate considerable compromise will be necessary before any agreement can be reached.

Some of the optimism for the future of the talks arises from the possibility that the initial proposals may have been the extreme bargaining positions for both sides. Moreover, [REDACTED]

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[REDACTED] confusion over the local autonomy issue is preventing recognition of possible points of compromise.

The other interested parties, Turkey and particularly Greece, recently have underlined their desires for progress in the discussions, hoping thereby to speed a solution to a problem which has troubled their bilateral relations for many years. This round will almost certainly be long and hard, however. [REDACTED]

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Italy: Like its predecessors, Premier Rumor's center-left government faces the reconvening of parliament this week with a full agenda of long-promised but unfulfilled reform legislation.

Unlike its predecessors, however, the new government, mindful of the lesson of France last spring and under more vocal and determined pressures from students and labor forces, has not only given signs of recognizing the urgency of reform legislation--particularly in the fields of education, social security, and state bureaucracy--but has also indicated some determination to carry it through.

Whether the government's reform program will be fully implemented, or whether it will meet the demands of the disaffected elements of the student and labor population, remains to be seen. What is clear, however, is that the government is not about to sweep the social malaise under the rug. [REDACTED]

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Costa Rica: President Trejos has made his sharpest in a series of attacks on the international lending agencies, which he believes have tied unfairly harsh conditions to pending development loans for Costa Rica.

The freeze on credits, which were destined mainly for badly needed feeder roads, is tied to the Trejos administration's failure to obtain passage of the San Jose Protocol--an import surcharge agreed on by the Central American Common Market nations as a means of improving the balance-of-payments position of member states. Trejos has lashed out at the policy of the lending agencies as "dismal stupidity" that hinders rather than expedites legislative action.

Trejos argues--and opposition legislators admit--that the opposition National Liberation Party is out to undercut the administration's economic and political situation in order to improve its own chances in next year's general election.

Last October Trejos expressed indignation that lending agencies have failed to consider government steps to raise taxes and limit expenditures and, more pointedly, that they failed to consider Costa Rica's democratic framework. He observed the "sad fact" that countries receiving sufficient external assistance are those with military regimes. Earlier this month, Trejos expressed to the US ambassador his belief that the US Government is blocking loans to Costa Rica.

Other Central American governments, which have all passed the protocol, would probably react adversely if the lending agencies were to soften pressure on Costa Rica.

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NOTE

Brazil: President Costa e Silva reportedly hopes that Congress can reopen shortly after 1 June, following a housecleaning that will cancel the political rights of congressmen who have opposed the government programs. A similar cleaning-out process is expected in state legislatures as well. Costa e Silva may indeed hope to return Brazil to democratic forms, but at best he can only create a rubber-stamp congress with a phony opposition. Moreover, the military, who forced the President to close congress last month, are extremely sensitive to criticism and probably will not be anxious to restore a forum even for a "sanitized" opposition.

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